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## COMMERCIAL RELATIONS OF CHILE<sup>1</sup>

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The invitation to say a few words to you to-day on the subject of the commercial relations of the republic of Chile has given me genuine pleasure, which is no doubt to be ascribed in great part to the agreeable recollection of the years that it was my good fortune to serve in the American diplomatic service at the capital of this most interesting, sturdy country. I almost despair of being able to present to you any thing beyond a few general facts in the effort to acquaint you in outline with the Chilean environment of trade, and with the purpose of suggesting possible questions which an interest in this part of the country may indicate, and which I will be happy to endeavor to answer.

I have been greatly impressed with the significance of a statement made to the conference a few days ago to the effect that "trade follows the loan." The course of west coast commercial development lends confirmation to this statement, and I am encouraged to pursue the idea a step further and to add that trade follows the loan and the investment. On the west coast of South America both Englishmen and Germans have preceded us with the loan, the investment of capital, and the early cultivation of that enormously extensive field which has hardly been broken by the ploughshare of American enterprise. The South American republics occupying the narrow Andean region along the Pacific coast, constituting about one-sixth of the total area of the South American continent, with about fourteen millions of people, possess a foreign trade of over three hundred millions of dollars, of which the United States has not more than a tenth portion. The English merchant now enjoys the numerous advantages accruing from his early arrival here, and the German, in South America as in other parts of the world, has shrewdly grasped the opportunities presented with the vigor and tenacity characteristic of the the nation. And now, with the proxi-

<sup>1</sup>Address delivered at the Pan-American Commercial Conference, Washington, D. C., February 17, 1911.

mate completion of the Panama Canal, our competitors who have preceded us thither turn to the north and labor industriously to strengthen themselves behind the ramparts of trade, the loan and the investment, to meet the inevitable incursion of American commercial undertakings. Everyone who has faith in the sterling intelligence and resourcefulness of our people, and who has seen the superior quality of the American article, cannot fear the ultimate result in the coming struggle; but it should not be forgotten that we must learn the lesson taught by the experience of those who have preceded us in this field, and devote ourselves to a careful, scientific study of the peculiar conditions while in search of the means and ways that will enable us to fulfil the requirements that constitute success in an environment so different from that in which we live.

One of the first things that a traveler passing down the Pacific coast notes is the lack of harbor facilities. There are only one or two natural ports. The ship rides at anchor usually some distance from shore in the open roadstead. Enormous sums of money are yet to be expended to provide the facilities which modern commerce demands. Callao and Valparaiso are to-day the only west coast cities provided with wharves permitting the discharge of vessels under the most favorable conditions. In the other ports, the cargo is unloaded at an anchorage many yards from the shore by lighters brought alongside. To one who has had some experience with the most unpacific Pacific ocean, the importance of this fact in its bearing upon the matter of packing, loss and incidental expense, is at once apparent. But both Chile and Peru are keenly alive to the needs of the present situation, and are making every effort to be prepared to handle the great increase in the volume of trade that will soon flow to their shores through the Panama canal. At Valparaiso, San Antonio, Talcahuano, Corral, Mejillones, and along the Peruvian coast plans of harbor improvements are being consummated and executed with this purpose in view.

Just a word upon a matter that has several times been brought up in the form of questions from delegates—the element of population and language. Some persons manifest considerable surprise when the term *Spanish* as applied so generally and loosely to South America is objected to as inapplicable, just as we might properly resent being called Englishmen. Of course, Brazil is composed of a population for the most part of Portuguese origin. On the west

coast the Spanish language is universally spoken in all the civilized centers, but, although the ethnic origin of this part of the world is essentially Iberian, any one who takes this fact without many qualifications exposes himself on the ground to a multitude of surprises. Thirty-four per cent of the Chilean population is composed of a non-Spanish, European stock which has been assimilated and welded into one homogeneous mass possessed of the sturdy, enterprising qualities that distinguish that admirable race. The South American properly regards himself as possessing as many distinctive marks of nationality that distinguish him from the citizen of the mother country as does the American.

One who returns from South America is often asked in the most matter-of-fact tone: "Tell me something about revolutions you observed when stationed at your last post." During a residence of almost five years in the southern hemisphere, I am then obliged to say, I have never seen the specter so decked out with the paraphernalia of melodramatic exaggeration by the facile pen of our well-informed press, nor, what appears to give cause for even greater astonishment, do I possess the cynicism of those who have acquired the pessimism of Hamlet while brooding over the so-called spirit of *mañana* because they have not been able to delve deeper than superficial appearances. For eighty years Chile has been living under a constitution, the terms of which have been modified only by constitutional means; and during a period of fifty years she has known but one revolution, which, like our own civil war, came to life in violent assertion of constitutional principles of which modern political science takes practical and serious account. Both Chile and Peru are making rapid advance in the most modern directions under their stable and enlightened form of governmental administration.

Chilean foreign trade during the past year amounted to over \$200,000,000, which is only slightly less than Mexico's total commerce with foreign countries, and places Chile in the third rank as to South American total trade figures. The United States sells only about ten per cent of the total amount purchased abroad by Chile; and buys about fourteen per cent of what Chile has to sell. Computing Chile's population at three and one half millions, each person sells to us, according to the last statistical reports available, \$4.60 worth of goods, and buys from us about \$2.75 of commodities. The figures of Chile's foreign trade show a favorable balance of

more than twenty-three millions of dollars. Saltpeter takes about one-third of the total exportation and provides about 65 per cent of Chile's national income. The United Kingdom comes in for the largest share of Chilean trade, Germany following closely and greatly out-distances the United States.

It will be of interest to you to note that Chile admits free of duty the important elements of industrial development—machinery, fuel, tools, and materials. Her chief exports are nitrate, copper, hides, furs (chinchilla), wines, silver, and iron. She also exports considerable quantities of grain, bran, peas, rye, and middlings. Some American agricultural machinery is to be found in the Chilean market, and the trade in threshers, seeders, mowers, and reapers, although greatly limited naturally by the reduced agricultural area in Chile, is good.

In common with other South American countries, Chile's manufacturing industry has not yet reached a point of development which makes it probable that the foreign trade in manufactured articles will be threatened for many years in the future. The Government has made strenuous efforts, and with some success, to establish branches of the manufacturing industry upon national soil; but the greatest difficulties encountered still remain—the lack of capital and the reduced number of competent workmen available. In the meantime, the market is there to be developed almost without restraint. Manufactures of brick, floor tile, cement, clothes, hats, shirts, collars, print goods, different kinds of iron work, leather, carriages and wagons, cigars and cigarettes, matches, etc., are doing a profitable business in the country. The raw material furnished by the country is fully adequate to supply all domestic needs. Industrial Chile has now fully recovered from the terrible results of the wild speculation of 1905-6 and the great earthquake of August 1906, when the hand of death and destruction fell heavy on the rich central zone. This general improvement speaks eloquently for the recuperative powers of the Chilean. Good crops have come to help him and the acreage of cultivated land has increased almost one and one-half million acres in the past twelve months. The more general use of nitrate and other fertilizers and the introduction of improved machinery and up-to-date methods have given splendid results on every hand. Chile exports about 5,000,000 bushels of wheat, produced at an acreage of fourteen bushels per acre on

approximately 2,500,000 acres. In the south of Chile there are abundant forests of excellent timber. Owing to the lack of facilities of transportation and the unquestionable speculative character of many of the companies organized to exploit the timber wealth of this region which disappeared before the great crisis of a few years ago like the dry blade before the prairie fire, little has really been done to bring this wealth within reach of the great centers of population. But much is certainly to be done in the future. It may surprise many to be told that Chile has more forests to its area than any other country in the world.

I have always found the northern provinces of Chile, from the Peruvian frontier to the southern limits of the Antofagasta Province, which came to Chile as the fruit of her victories in the war of 1879 with Peru and Bolivia, to be the most interesting part of the Republic. There lie the most extensive nitrate beds in the world. In all the great stretch of country from the Andes to the Pacific Ocean rain never falls. Not a blade of green is to be seen except in depressions where the saline waters have seeped through from the great cordillera or along a few streams like the river Loa, whose brackish waters flow between the bare hills and over the sandy plains furrowed by the rush of torrents of far-distant geologic ages.

The chief ports of this region are Iquique, with forty thousand inhabitants, the present center of the nitrate industry; Antofagasta, with almost thirty-three thousand inhabitants; Taltal, a port of about eleven thousand, from which copper and silver and nitrate of Cachinal are shipped. These nitrate provinces have a population of about three hundred thousand, distributed mostly in the larger cities of the coast, in the nitrate plants, and in the mines of copper and silver in the interior. The entire population is dependent upon the nitrate industry, in which fifty thousand men are employed, belonging mostly to the rugged lower Chilean class, the so-called "Roto," with a great many Bolivian Indians and a considerable proportion of Peruvians. In 1909 over eighty-four million hundredweight of nitrate were produced and the industry is doing at present well with an improvement in the market quotations and the great increase in the world consumption of the product. The nitrate combination which since the war of the Pacific has controlled the exportation of nitrate from Chile, and which

was under the special protection of the Chilean Government for the purpose of controlling prices, came to an end about a year ago and has not since been renewed, and conditions have remained very satisfactory. Indications are to the effect that a good profit has been realized in spite of augmented production. About forty per cent of the total number of firms engaged in this business are English, followed closely by the Chileans with a quota of production almost equal to that of the British. Germany has lately entered the field with great strength and now claims eleven per cent of the total saltpeter output. American capital has within the last two or three years purchased some valuable properties and it is hoped others may enter the field, as the opening is a good one. The use of nitrate for agricultural purposes in the world at large is being more thoroughly appreciated and in the United States the importations have almost quadrupled in the last four years.

Certainly one of the great obstacles encountered in the past to the healthy development of trade with Chile has been the instability of the Chilean circulating medium. The Chilean merchant pays for the foreign commodity on a gold basis, but his customers buy the goods in the irredeemable paper currency. During the short time in which I was in Chile I saw the value of the paper currency fall from about thirteen and a half pence to eight pence when the crisis following the great earthquake and the effects of universal and unrestrained speculation had brought anarchy into the Chilean market. You will be interested to know that for some years the value of the Chilean peso has remained between the extremes of ten and eleven pence and that the future of the Chilean currency is a bright one, making for that stability which affords every encouragement to the proper normal improvement of commercial relations.

Chile has a parcels post convention with the United States and the amount of business transacted under the terms of this agreement is steadily increasing, with the special advantages such an arrangement presents to the exporter. The customs regulations of Chile are ably administered and the officials are unusually obliging and accommodating toward shippers, but a shipment following the usual course requires the attention of a customs broker and may sometimes be held up many weeks in the congestion of traffic in the warehouses at the port. The advantage of the parcels

post lies in the fact that the consignment goes directly to the consignee without the intervention of the custom house broker and may be opened with a small charge of a few cents for the making out of papers and inspection on the basis of details furnished to the postmaster here covering the weight in kilos., value and kind of goods. The trade by the parcels post shows a steady and considerable increase. During 1909 merchandise to the value of about \$950,000 American currency entered Chile through this channel, of which the United States has not yet taken more than ten per cent.

As regards trade representation along pioneer commercial lines, there are only a few manufacturers' representatives active in Chile, and there are several commission houses doing business on the basis of two and a half to five per cent. Undoubtedly the facilities for the extension of trade offered by the firms already established in the field are great, but the sphere for the development of trade through the medium of commercial travelers is one that should be carefully examined. Before sending a representative to Chile the most conservative and safest way undoubtedly is to go down to the country and look over the field of possible opportunity and then, if the results of this investigation are favorable, to send a representative down to make a personal canvass.

Here something ought to be said regarding the qualities that make for the efficiency of the representative. The South American has susceptibilities which are as strong as our own, but which sometimes manifest themselves in a rather unexpected way, and along quite different lines from those we instinctively anticipate in the United States. Except in Valparaiso, English is little spoken in the trade centers of Chile, and no one should go to South America with the idea of covering the entire situation without possessing a knowledge of Spanish, and without a clearly marked disposition to take serious account of differences of habit which are as rational and well founded to the South American mind as they appear unjustified and even absurd through the spectacles of American training.